

Message Text

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C O R R E C T E D C O P Y-REF: (F) 951 VICE 952

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TAGS: PGOV, EFIN, CA

SUBJECT: 1977 ONTARIO BUDGET -- A GENERAL OVERVIEW

REF: (A) TORONTO 928; (B) TORONTO 939; (C) TORONTO 940;

(D) TORONTO 941; (E) TORONTO 942; (F) TORONTO 951;

(G) TORONTO A-46

1. ONTARIO TREASURER W. DARCY MCKEOUGH, IN PRESENTING THE ONTARIO BUDGET 1977 TO THE PROVINCIAL GENERAL LEGISLATIVE ASSEMBLY APRIL 19, DESCRIBED IT AS MEETING ONTARIO'S "MOST IMMEDIATE AND PRESSING NEEDS" BY FINDING A LARGE NUMBER OF NEW JOBS IN CONSTRUCTION AND FOR YOUNG PEOPLE AND REDUCING GOVERNMENT'S CLAIM ON PROVINCIAL ECONOMY. HE GAVE BALANCED BUDGET BY 1980-81 AS GOAL AND NOTED THIS WOULD BE SECOND CONSECUTIVE YEAR "ONTARIO WILL NOT NEED TO BORROW ON THE PUBLIC CAPITAL MARKETS ON ITS OWN ACCOUNT."

2. THE BUDGET SHOWS A 9 PERCENT RISE IN SPENDING TO DOLS 13.7 BILLION AND A 12.9 PERCENT INCREASE IN REVENUE TO DOLS 12.6. THE UNCLASSIFIED

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DEFICIT INVOLVED AT DOLS 1,077 MILLION WILL BE DOLS 311 MILLION LESS THAN LAST YEAR, AND WILL BE MET FROM INTERNAL SOURCES.

3. THE TREASURER NOTED THAT THE RECENT FEDERAL BUDGET WILL COST ONTARIO DOLS 74 MILLION IN REVENUE THIS FISCAL YEAR -- DOLS 32 MILLION IN PERSONAL INCOME TAX AND DOLS 42 MILLION IN CORPORATION INCOME TAX. ADDITIONAL PROVINCIAL TAX REDUCTIONS MAKE A TOTAL

REVENUE DECLINE OF DOLS 201. TAX INCREASES IN THE PROVINCIAL BUDGET AMOUNT TO DOLS 209 MILLION. SPECIFIC TAX MEASURES ARE COVERED IN REFAIR G.

4. INDIVIDUAL REPORTING BY CONGEN COVERS LAND TRANSFER AND SPECULATION TAXES (REFTTEL A), INCREASE IN ONTARIO HYDRO CAPITAL BORROWING LIMIT (REFTTEL B), JOB CREATION MEASURES (REFTTEL C), SOFT DRINK CAN TAX (REFTTEL D), PAPERS ON BENEFITS/COSTS TO PROVINCES OF CONFEDERATION (REFTTEL E), STATEMENT ON GOC GATT POSITION (REFTTEL F) AND SPECIFIC TAX MEASURES (REFAIR G).

5. COMMENT: THIS IS NOT A REAL ELECTION BUDGET IN THE SENSE THAT TAX CUTS ARE FAIRLY HIDDEN WHILE TAX INCREASES ARE HIGHLY VISIBLE AND THE JOB CREATION EFFORT IS MAINLY TEMPORARY OR SEASONAL. HOWEVER, IT IS DESIGNED TO BOTH INFURIATE THE NDP OPPOSITION (E.G. THE INCREASE IN FULL EMPLOYMENT LEVEL OF UNEMPLOYMENT TO 5.3 PERCENT COULD NEVER BE ACCEPTED BY THE NDP) AND TO SHOW STABILITY AND CONCERN RATHER THAN FLASH. ALSO, WHILE IT IS TRUE THAT THE PROVINCIAL GOVERNMENT HAS NOT ITSELF GONE TO THE CAPITAL MARKETS IN A YEAR, IT CONTINUES TO FINANCE ITS DEFICIT INTERNALLY FROM PENSION FUNDS AT RATES IT COULD NEVER GET ON THE MARKET. ALL IN ALL, THE 1977 BUDGET IS A MIDDLE OF THE ROAD, CONFIDENCE IN PRIVATE SECTOR TYPE OF DOCUMENT THAT CASTS THE TORY MINORITY GOVERNMENT AS ADDRESSING THE ISSUES WITH RESPONSIBILITY, A ROLE IT CAN PLAY MORE ATTRACTIVELY BECAUSE ITS BUDGET, WHILE HOLDING THE LINE ON EXPENDITURES AND REALLY NOT DOING MUCH ABOUT UNEMPLOYMENT, CONTRASTS WELL WITH THE FEDERAL BUDGET IN JOB CREATION PROGRAMS.

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6. LOCAL REACTION IS NOT UNEXPECTED. THE NDP, ORGANIZED LABOR AND THE TORONTO STAR HAVE HIT THE BUDGET SHARPLY FOR ITS LACK OF CONCERN FOR THE UNEMPLOYED. THE LIBERALS, TRYING TO AVOID CONFRONTATION, SAY IT'S THE BEST THE TREASURER COULD DO IN VIEW OF THE TORY SQUANDERING OF PROVINCIAL RESOURCES IN THE PAST. THE BUDGET APPARENTLY WILL NOT BE THE ISSUE THAT BRINGS DOWN THE DAVIS MINORITY TORY GOVERNMENT.
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